

EDIC/AM-32
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MEMORANDUM FOR: Economic Defense Intelligence Committee

FROM : Executive Secretary, EDIC

SUBJECT : Correction to EDIC/ID-24 (revised)

1. By inadvertence a sentence in paragraph 5 of EDIC/ID-24 (revised) beginning with "The output from these illicit..." was garbled. The complete sentence should read "The output from these illicit operations has been reported to equal the output from all legal mining in the country."

2. Attached is a revised copy of page 3 for insertion in subject EDIC document.

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Secretary

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over a period of several years, from various sources, have provided evidence that considerable quantities of industrial diamonds are supplied to the Sino-Soviet Bloc through illicit trade channels. The total value of this trade is difficult to assess because of the small size and weight of individual consignments and the deceptive practices employed by smugglers. Industrial diamonds involved in illicit trade originate in Sierra Leone, South Africa, the Gold Coast, Liberia, and Nigeria. In the fields of Sierra Leone diamonds occur very close to the surface and almost any man with a shovel is a potential miner. In 1957, as in previous years, thousands of unlicensed native diggers were reported to be active, despite concentrated efforts by the government to curtail their operations. The output from these illicit operations has been reported to equal the output from all legal mining in the country. This suggests that a total of from 600,000 to 900,000 carats (60 to 66 percent of which are reported to be industrials) may be finding their way into illicit channels each year. The government's official estimate of the value of stones being smuggled is \$4 million a year, whereas other sources estimate it as high as \$13 million. In view of the high prices reportedly being offered by the USSR for industrial stones -- from two to three times world market prices -- it is not unlikely that a large part of these diamonds were obtained eventually by the USSR.

6. Since diamond sales are local cash transactions, no documentation is required and the diamonds could be concealed easily in diplomatic pouches for dispatch to the Bloc. In addition to diamonds, diamond tools are known to be smuggled into the USSR; but the exact volume of this illicit traffic cannot be estimated. Additional information indicates that the Chinese Communists as well as the USSR and the Eastern European satellites have obtained considerable quantities of various types of diamond tools directly from Western European sources of supply and also through the Middle East. Bloc agents were active in European diamond markets during 1957. Yet despite the vigorous procurement effort, it is admitted that the Bloc obtains only the barest essentials and not its normal requirements of industrial diamonds.
7. Diamonds are used in the Bloc in much the same manner as the West. Diamond dies are needed for drawing fine wires for electronic and Atomic Energy uses. Diamond tipped drills are desirable for efficient geological prospecting and mining operations. Diamond wheels are needed for truing tungsten carbide tipped tools; diamond tools are needed for copying and finishing of critical parts of weapons. For certain purposes there are no efficient substitutes, e.g., for finishing objects almost as hard as diamonds. Because of the shortage of diamonds, the USSR has developed substitute abrasives but they are also in short supply (see item 1085). Introduction of ceramic tools in place of tungsten tipped tools which require constantly truing and resharpening may have cut down somewhat on requirements for diamonds (ceramic tools may be dressed by non-diamond wheels). Synthetic diamonds have been made in East Germany, but little is known of either their size or quality. 1/ In addition

1/ In the United States, the General Electric Company announced in February 1957, that a synthetic diamond-like substance called "Borazon" has been produced successfully on a laboratory scale. This substance is claimed to be superior to natural diamond in heat resistant properties. There is no information on Bloc production of an equivalent substitute.

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